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March 10, 2006

VIA ECFS

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, SW, TW-A325  
Washington, DC 20554

Re: Ex Parte Presentation  
AU Docket No. 06-30

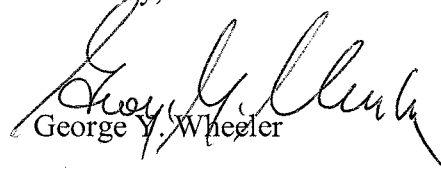
Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's ex parte rules, 47 C.F.R. §1.1206, this letter is to notify you that on March 10, 2006 representatives of United States Cellular Corporation ("USCC") and of the Rural Telecommunications Group ("RTG") including, for USCC, Joseph R. Hanley, Vice President – Technology, Telephone and Data Systems, Inc., Warren G. Lavey and the undersigned and, for RTG, Kenneth C. Johnson met with Fred Campbell, Legal Advisor in the office of Chairman Kevin J. Martin, to discuss issues arising in the above-referenced proceeding.

A copy of the USCC and RTG written presentation is attached.

In the event there are questions regarding this matter, please contact the undersigned.

Sincerely,



George Y. Wheeler

Cc via e-mail:

[Fred.Campbell@fcc.gov](mailto:Fred.Campbell@fcc.gov)



**Ex Parte Comments  
Auction 66 Public Notice  
(AU Docket No. 06-30)**

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March 2006

# About RTG



- RTG is a Section 501(c)(6) trade association dedicated to promoting wireless opportunities for rural telecommunications companies through advocacy and education in a manner that best represents the interests of its membership.
- RTG's members have joined together to speed delivery of new, efficient, and innovative telecommunications technologies to the populations of remote and underserved sections of the country.
- RTG's members provide wireless telecommunications services, such as cellular telephone service and Personal Communications Services, among others, to their subscribers.
- RTG's members are small businesses serving or seeking to serve secondary, tertiary and rural markets.
- RTG's members are comprised of both independent wireless carriers and wireless carriers that are affiliated with rural telephone companies.

# About U.S. Cellular



- Mid-sized regional provider serving over 5 million customers in metro areas and some of the most rural corners of the country.
- Focused on exceptional customer experience enabled by superior customer care and network infrastructure.
- Continually investing in the expansion and improvement of service – approx. \$600M a year.
- Quality and customer satisfaction repeatedly validated by multiple third parties.
- Consistent advocate for small bidder concerns including AWS re-banding and the threshold problem in package auctions.
- U.S. Cellular and other TDS affiliates have been active in five FCC auctions, most recently participating with Carroll Wireless.
- Planning to participate in Auction 66.

# Agenda



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## **1. Disclosure of bidders and bids in Auction 66 will increase competition and efficiency and will advance other important FCC policy objectives (Section 309(j))**

- More valuation certainty means increased smaller bidder participation and activity

## **2. A single SMR auction for all AWS-1 licenses promotes the public interest**

- Smaller bidders harmed by threshold problem and complexity of package bidding for any licenses

# Huge uncertainties affect AWS-1 valuations



- Infrastructure and handsets are not yet developed for this band
- The market for 3G services is in its infancy
- A large amount of spectrum is being offered with more to come
- The roaming regime for 3G services is yet to be determined
- Incumbent relocation and interference issues remain undecided

*Auction 66 is not another auction of PCS spectrum and bidders cannot rely on PCS transaction data and valuation models to guide their bidding.*

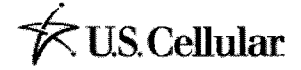
# Bidding information disclosure is critical to smaller bidder participation in Auction 66



- **Inherent uncertainty of this auction especially disadvantages smaller bidders.**
  - Dependent on larger carriers to drive development of infrastructure, handsets, content and applications
  - Dependent on larger carriers for roaming arrangements
  - Many bidders must secure outside financing to participate in the auction
  - Risks and disadvantages become even more pronounced for the smallest bidders
- **Blind bidding tilts auction in favor of larger bidders.**
  - Fewer interdependencies
  - More sophisticated valuation models and auction strategies
  - With fewer bidders, especially in the REAG blocks, tacit collusion is easier
  - Information leaks are more likely to occur and more likely to benefit well connected bidders
- **Small bidders are key to a successful auction and a competitive wireless market.**
  - Increase competition in the auction and in the marketplace
  - Technology and service innovation
  - Quality of service in underserved areas
  - Congressional mandate (309j)

*The voice of the small bidders themselves is clear. They believe that disclosure of bids and bidders is critical to their successful participation in Auction 66.*

# Some economists make unfounded assumptions to oppose auction transparency



- **All acknowledge benefits from disclosure.**
  - Greater valuation certainty increases bidder participation and auction efficiency
- **Incorrect about maturity of valuations and carrier confidence in the flexibility of technologies.**
- **Focused primarily on revenue maximization. Most did not address efficiency or statutory policy goals promoting small business, competition, diversity and rural service.**
- **No evidence of effective strategic demand reduction.**
- **Band plan doesn't offer many substitutable license blocks.**
- **No applicable simulations.**

*Professor Robert Weber: "With little (if anything) to be gained, and much to potentially (and likely) be lost, from experimenting with a major change in auction rules in this important upcoming auction, the FCC is well-advised to maintain its prior policy of full revelation of bidder identities in the AWS auction."*



# The FCC should move forward with a single SMR auction, without package bidding



- Band plan offers three REAG blocks (no exposure problem).
- Anti-small bidder effects of SMR-PB.
  - Threshold problem
  - Complexity
  - Financing dependent on familiar, tested procedures
- SMR-PB for any AWS licenses – concurrent or sequential – causes inefficiencies.

***Use of dual auctions with a package bidding component would compound the complexity of a large, high stakes auction that is already filled with uncertainty.***

# Summary



- **Huge uncertainties affect Auction 66 – AWS is not PCS.**
- **The uncertainties especially disadvantage smaller bidders.**
- **Concealment of bids and bidder identities would increase the relative disadvantages of otherwise serious small bidders who will drive competition in the auction and in the marketplace.**
- **Any form of package bidding would complicate the auction and further disadvantage small bidders.**
- **Auction 66 should begin on June 29<sup>th</sup> and should be conducted using the proven and tested procedures of successful recent auctions.**